

House Engrossed

FILED

**JANICE K. BREWER
SECRETARY OF STATE**

State of Arizona
House of Representatives
Forty-seventh Legislature
Second Regular Session
2006

CHAPTER 95

HOUSE BILL 2428

AN ACT

AMENDING SECTIONS 10-11405, 10-11421 AND 10-11422, ARIZONA REVISED STATUTES;
RELATING TO THE DISSOLUTION OF NONPROFIT CORPORATIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 10-11405, Arizona Revised Statutes, is amended to
3 read:

4 10-11405. Effect of dissolution

5 A. A dissolved corporation continues its corporate existence but shall
6 not carry on any activities except that activity appropriate to wind up and
7 liquidate its affairs, including:

8 1. Preserving and protecting its assets and minimizing its
9 liabilities.

10 2. Discharging or making provision for discharging its liabilities and
11 obligations.

12 3. Disposing of its properties that will not be distributed in kind.

13 4. Returning, transferring or conveying assets held by the corporation
14 on a condition requiring return, transfer or conveyance, which condition
15 occurs by reason of the dissolution, in accordance with such condition.

16 5. Transferring, subject to any contractual or legal requirements, its
17 assets as provided in or authorized by its articles of incorporation or
18 bylaws.

19 6. If no provision has been made in its articles of incorporation or
20 bylaws for distribution of assets on dissolution and the corporation is
21 organized for charitable, religious, eleemosynary, benevolent, educational or
22 similar purposes, to one or more domestic or foreign corporations, societies
23 or organizations engaged in activities substantially similar to those of the
24 dissolving corporation.

25 7. If no provision has been made in its articles of incorporation or
26 bylaws for distribution of assets on dissolution, transferring its assets to
27 its members or, if it has no members, to those persons whom the corporation
28 holds itself out as benefitting or serving.

29 8. Doing every other act necessary to wind up and liquidate its assets
30 and affairs.

31 B. Dissolution of a corporation does not:

32 1. Transfer title to the corporation's property, EXCEPT AS PROVIDED IN
33 SECTION 10-11421.

34 2. Subject its directors or officers to standards of conduct that are
35 different from those prescribed in chapter 31 of this title.

36 3. Change quorum or voting requirements for its board of directors or
37 members, change provisions for selection, resignation or removal of its
38 directors or officers, or both, or change provisions for amending its bylaws.

39 4. Prevent commencement of a proceeding by or against the corporation
40 in its corporate name or any officers, directors or members or affect
41 applicable statutes of limitations.

42 5. Abate or suspend a proceeding pending by or against the corporation
43 or any officers, directors or members on the effective date of dissolution.

44 6. Terminate the authority of the statutory agent of the corporation.

1 Sec. 2. Section 10-11421, Arizona Revised Statutes, is amended to
2 read:

3 10-11421. Procedure for and effect of administrative
4 dissolution

5 A. If the commission determines that one or more grounds exist under
6 section 10-11420 for dissolving a corporation, it shall serve the corporation
7 with written notice of its determination under section 10-3504.

8 B. If the corporation does not correct each ground for dissolution or
9 demonstrate to the reasonable satisfaction of the commission that each ground
10 determined by the commission does not exist within sixty days after service
11 of the notice is perfected under section 10-3504, the commission shall
12 administratively dissolve the corporation by signing a certificate of
13 dissolution that recites the ground or grounds for dissolution and its
14 effective date. The commission shall file the original of the certificate
15 and serve a copy on the corporation under section 10-3504. IF THE
16 CORPORATION THAT HAS BEEN DISSOLVED IS A UTILITY PROVIDING DOMESTIC WATER
17 SERVICES OR DOMESTIC WASTEWATER SERVICES AND THE CORPORATION HAS BEEN
18 DISSOLVED FOR AT LEAST THREE YEARS, AFTER NOTICE TO INTERESTED PARTIES,
19 OPPORTUNITY FOR OBJECTION AND HEARING BEFORE THE COMMISSION, THE ASSETS OF
20 THE CORPORATION MAY BE TRANSFERRED BY THE COMMISSION TO A DOMESTIC WATER
21 IMPROVEMENT DISTRICT OR A DOMESTIC WASTEWATER IMPROVEMENT DISTRICT
22 ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 6 OR TO A MUNICIPALITY INCORPORATED
23 PURSUANT TO TITLE 9, CHAPTER 1, ON RECEIPT BY THE COMMISSION OF A WRITTEN
24 REQUEST FROM THE GOVERNING BODY OF THE DISTRICT OR MUNICIPALITY.

25 C. Subject to the provisions of section 10-11422 regarding
26 reinstatement, a corporation administratively dissolved continues its
27 corporate existence but may not carry on any activities except those
28 necessary to wind up and liquidate its affairs under section 10-11405 and
29 notify its claimants under sections 10-11406 and 10-11407. If the
30 corporation has not applied for reinstatement within six months after the
31 effective date of the dissolution, the commission shall release the corporate
32 name for use in accordance with chapters 24 through 40 of this title or by a
33 person intending to register the name as a trade name pursuant to title 44,
34 chapter 10, article 3.1.

35 D. The administrative dissolution of a corporation does not terminate
36 the authority of its statutory agent.

37 Sec. 3. Section 10-11422, Arizona Revised Statutes, is amended to
38 read:

39 10-11422. Reinstatement following administrative dissolution

40 A. A corporation administratively dissolved under section 10-11421 may
41 apply to the commission for reinstatement within three years after the
42 effective date of dissolution UNLESS THE CORPORATION IS A UTILITY PROVIDING
43 DOMESTIC WATER SERVICES OR DOMESTIC WASTEWATER SERVICES AND THE ASSETS OF THE
44 CORPORATION HAVE BEEN TRANSFERRED TO A DOMESTIC WATER IMPROVEMENT DISTRICT OR
45 A DOMESTIC WASTEWATER IMPROVEMENT DISTRICT ESTABLISHED PURSUANT TO TITLE 48,

1 CHAPTER 6 OR TO A MUNICIPALITY INCORPORATED PURSUANT TO TITLE 9, CHAPTER
2 1. The application shall both:
3 1. Recite the name of the corporation and the effective date of its
4 administrative dissolution.
5 2. State that the ground or grounds for dissolution either did not
6 exist or have been eliminated.
7 B. If the commission determines that the application contains the
8 information required by subsection A of this section and that the information
9 is correct, it shall cancel the certificate of dissolution and prepare a
10 certificate of reinstatement that recites this determination and the
11 effective date of reinstatement, file the original of the certificate and
12 shall serve a copy on the corporation under section 10-3504.
13 C. When reinstatement is effective, it relates back to and takes
14 effect as of the effective date of the administrative dissolution and the
15 corporation shall resume carrying on its activities as if the administrative
16 dissolution had never occurred.
17 D. If another corporation has adopted the name of the corporation or
18 another person has adopted the name of the corporation as a trade name, the
19 application shall be accompanied by articles of amendment that are in
20 accordance with chapter 33, article 1 of this title and that adopt a new name
21 for the corporation that complies with chapter 27, article 1 of this title.

APPROVED BY THE GOVERNOR APRIL 11, 2006.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 11, 2006.